PurchasingWorld

C4670-1A

PurchasingWorld

Helping you manage the business of buying

Vol. 28 No. 11-November 1984

Features

59 Household van lines—much more than furniture
Senior editor Tom Dillon examines the service and benefits of using household goods carriers for moving high value and sensitive kinds of industrial freight.

64 Improving inventory stores management
Big opportunities exist for optimizing inventory investment, improving user services, and lowering operating costs by proper management of MRO inventories, says Lloyd B. Mitchell, a Houston consultant.

72 PMs: an underutilized resource
CEOs are missing the boat by not paying enough attention to their purchasing departments, according to Figgie International Inc. chairman and CEO, Harry Figgie. He offers solid advice on how purchasing can make big contributions to company profits.

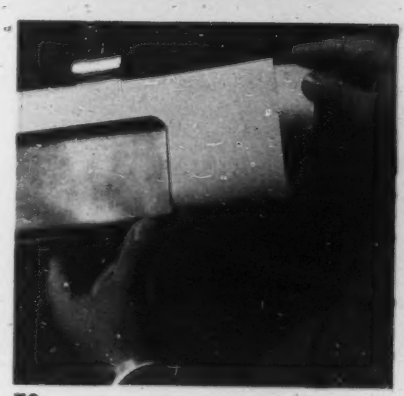
78 Tips on paper selection, storage and handling
Author John H. Peggs, paper specialist at Xerox, offers a detailed program for getting the most out of your paper use.

84* Business data file
A continuation of *PW*'s guide to automating your office covering the latest information about personal computers, with details on vendors, prices, specifications and service.

95* Tech file: world standard fittings
The task of measuring and identifying different fittings and thread forms on foreign built machinery is becoming a vexing problem for purchasing departments. This month's tech file describes how Parker Hannifin's Tube Fittings Division helps identify 99% of all fittings on foreign equipment.

Cover photo: Deregulation is creating more options in transportation with better price alternatives, as illustrated by the van lines increasing attention to the industrial markets where they are offering more specialized services, such as "padded van service" for sensitive equipment shipments. *Photo courtesy of Allied Van Lines.*

59



78

Departments

4 PW Pointers
6 Editorial
9 PW Predicts
19 Business Datatrak
36 PW Transportation Report
40 Law
42 Value Analysis
46 Negotiations
116 Sample Pak
122 Talent Pool
123 People
126 Ad Index

* Regional and demographic issues only

PurchasingWorld (USPS 472 470) is published monthly by Huebner Publications, Inc., 6521 Davis Industrial Parkway, Solon, OH 44139. Printed in USA. Subscriptions: Available without charge to qualified purchasing executives in US manufacturing companies. Available to others in the US for $46/year; Canada $56/year. Foreign subscriptions are available for 70 airmail or £40 surface mail. Sole agent for all subscriptions outside the U.S.A. and Canada is J.B. Tratsart, Ltd., 154a Greenford Road, Harrow, Middlesex HA 13QT, England. Second class postage paid at Cleveland, OH, and additional mailing offices. Circulation and business offices: 6521 Davis Industrial Parkway, Solon, OH 44139. Editorial offices: 800 S. Northwest Highway, Barrington, IL 60010.

© Copyright 1984 by Huebner Publications, Inc., subsidiary of International Thomson Business Press—All rights reserved. ISSN 0093 7659.

Postmaster: Send address changes to **PurchasingWorld**, 6521 Davis Industrial Parkway, Solon, OH 44139.

PW PREDICTS

Robert S. Reichard, executive editor

No big surge in labor cost

There's more good news on the labor front—developments that practically assure another six to 12 months of relatively low overall inflation rates.

The recently inked GM settlement, for example, will cost Detroit only 20% over the next three years—that's less than 7% at annual rate. Moreover, if the pact's productivity clauses live up to expectations, unit labor cost increases may be held to just a few percentage points. Equally encouraging is the new coal settlement which calls for only about a 4% annual increase in wages and fringe benefits.

If nothing else, the signing of these two pace-setting contracts may just about rule out any new big labor cost surge in the years immediately ahead.

Recent news on the buying front is equally encouraging. Detroit, for example, continues to press for long-term procurement contracts that will hold material cost increases to a bare minimum. Nor is this just limited to the auto industry. Buyers around the country continue to flex their muscles—and are keeping downward pressure on such key items as steel, nonferrous metals, chemicals, plastics, MRO items, and many components—with an added assist coming from low-priced imports which are pouring in at an increasing pace.

Upshot: With both labor and material costs under control, there's precious little to suggest any major cost surge on prices.

A similar optimistic scenario can be inferred by looking at the other potential cause of inflation: supply bottlenecks. Specifically, a combination of decelerating demand gains and increasing capital spending would seem to indicate that operating rates won't rise as much as had been feared earlier. The increased import levels are also helping.

Right now the nation's factories are operating at only about 83% of their potential—low enough to suggest substantial bargaining leverage for at least another few quarters.

The point to keep in mind here is that demand-pull pressures on prices only become a major problem when factory utilization rates go above 85%.

For further assurance that we're still in a "no-sweat" situation, take a look at continued relative stability in energy tags (see accompanying chart) and a bumper harvest which will limit food price advances.

It's not surprising that most economists and businessmen are also optimistic about avoiding serious price acceleration. A recent Conference Board survey of top corporate executives, for instance, shows that only 17% anticipate bigger hikes in 1985 compared to a year ago when 25% of these same respondents were predicting acceleration.

Business Economists tell much the same story. Their preliminary projections for 1985 (culled from a new National Association of Business Economists survey) call for only a 5.4% inflation rate next year.

Energy price trends

Recent trends to energy price moderation are likely to spill over into 1985. Indeed, quotes for petroleum-based products will probably stay pretty much where they are now. Other forms of energy—notably coal, natural gas, and electricity will be creeping up. But these advances are expected to stay in the single-digit range—in no case will they rise by more than 4%.

That's the rosy picture being painted by Department of Energy analysts in their first full year forecast for 1985—with the stable petroleum product price prediction based on the likely assumption that imported crude oil tags will remain at the current $29/barrel level.

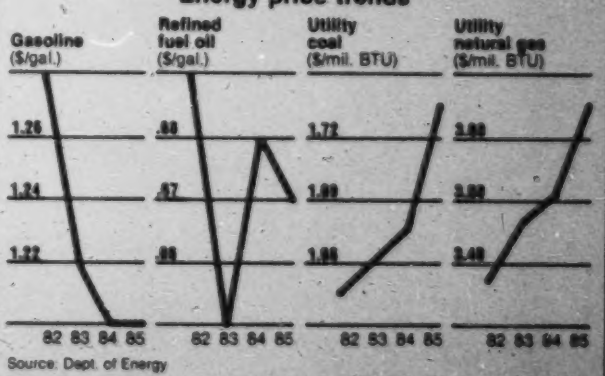
Another factor likely to keep a lid on oil prices: a flattening petroleum consumption curve—as continued conservation efforts and use of alternative energy sources offset a modest 2.8% increase in business growth.

The 1985 natural gas projection, calling for only a small 4% overall advance, is another favorable development. Just three months ago, these same analysts were betting on a big, double-digit annual increase.

Similar optimism is noted in coal where the new 3.6% growth projection for the first half of 1985 is well below projections made three months ago.

The new DOE report also spells out continuing progress on the energy conservation front. Next year, for example, the nation is expected to have an energy/GNP ratio of 45.0 thousand BTU per 1972 dollar of GNP—that compares to 45.4 this year, 46.0 last year.

Energy price trends



Source: Dept. of Energy

Steel

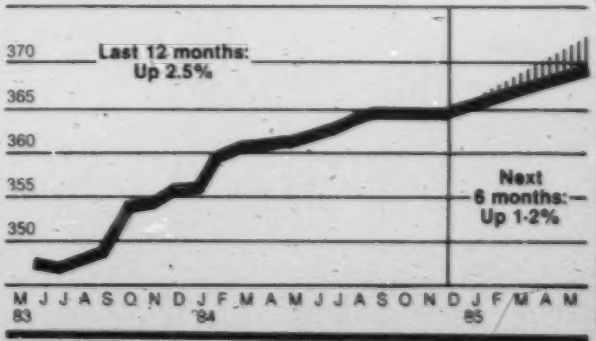
CURRENT SITUATION: The news is mixed. There's a high influx of imports as importers rush to get in under the wire for Washington's new voluntary restraint program. Ordering hasn't been all that sensational either. Fourth quarter shipments by domestic mills could fall by about one million tons from the second quarter level of 20.6 million tons. **Prices have tended to be soft—with discounts actually widening in several sectors.** Some grades of cold rolled sheet, for example, have recently gone for as much as 20% under official list levels.

DEMAND: Right now it's hard to see the overall 1984 shipment total going much above 75 million tons. That's considerably above last year's 67.7 million tons but far under forecasts made earlier this year. 1985 does look a bit better, but just how much better will depend on 1) the U.S. economy, and 2) how fast voluntary trade curbs can be worked out. **Best bet: An adequate but hardly spectacular 80 million ton year.**

SUPPLY: No problems anywhere—especially when you consider that the industry has been operating at under 55% of capacity in recent weeks. If everything goes according to plan, we probably won't see any rise above 80% next year. **Some new capacity may also be coming on stream**—perhaps another 2% next year to offset an unexpected 1984 cutback of the same magnitude. **Finally, there are the minimills** whose 20% share of the U.S. market is expected to grow by 5% within five years.

PRICE OUTLOOK: It will take time for tags to show any significant firming. Reason: Import restraints are not expected to be in effect until sometime next year. As such, recent big discounts will not disappear overnight. In the long run, however, higher tags are unavoidable—with the combination of **import curbs and somewhat improved consumption expected to add about 6-7% to going prices by sometime next year.**

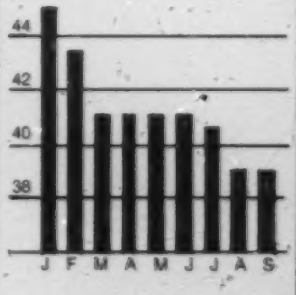
Steel mill products (list prices)
(Index: 1967 = 100)



Polystyrene

Recent attempts to post a 3¢/lb price increase have washed out—putting current market prices at around 39¢/lb. That's about 3¢/lb under early spring readings and far under the official 48¢/lb list. There is also some talk of increased imports from Brazil and Mexico if the dollar holds its value against their two currencies. Demand has not been that bad—with new estimates suggesting 1984 totals could run about 6% above last year's levels.

Polystrene (market price)
(¢/lb, gen. purpose/crystal)



Office equipment

Price cutting continues in the personal computer sector. Latest development here is the expected unveiling of the IBM-compatible Tandy model (1200 MD) which will sell for only $2,999, some $1,400 under the IMB PC XT model. 1985 seems to be shaping up as another good year for the overall office equipment industry, with projections of a 15% increase in dollar sales—just under this year's estimated 20% advance. Unit volume could be up by an even greater percentage as prices continue to edge lower.

Polyvinyl chloride

Look for the current weakness to persist for at least another few months as the big housing market continues to edge lower. It is hard to see transaction prices for the general purpose grade moving above the current 35¢/lb level—a far cry from the 40¢/lb and higher prices of just a few months back. Another price depressant may be overcapacity, with the industry expected to operate at only about 75% of its potential this year.

Polysilicon

This key raw material for semiconductor chips has become somewhat tight. Blame it on booming semiconductor sales (up about 50% this year). Spot prices have moved up sharply—with some material moving for as much as 36¢/lb—double the spot level of a few years back and well above the long-term contract $22.50-$27.00/lb range. The long term looks good with substantial new low-cost capacity expected by 1988. By then a 20% global surplus should make for significant declines in contract as well as spot prices.

Lead

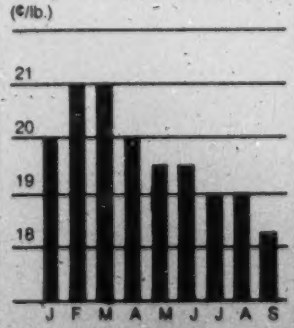
Still no sign of a rally—despite prolonged U.S.

strikes and the start of battery buying season (something which usually spurs major lead purchases). Reasons for the lackluster performance are not too hard to find. For one, 1984-85 battery buying will be hard put to equal last year which was hyped by extreme temperature shifts. Another factor could be continued output from struck U.S. facilities. Demand remains down as global consumption holds at about 1980 levels when industrial output was 10-15% lower.

Petrochemicals

Easiness remains. Ethylene now moves for as little as 18¼¢/lb—off some ¼¢/lb from late summer levels on a combination of rising inventories and sluggish demand from downstream polyethylene. Similar lackluster buying has also knocked ½¢/lb off chemical grade propylene—bringing quotes down into the 17-18¢/lb range. The polymer grade is also off by about ¼¢/lb (to 19-19½¢/lb). The picture for benzene is similar where another 5¢/gallon has been shaved off contract levels (to $1.27/gallon) with spot tags even lower.

Ethylene (market price)
(¢/lb.)



Paper

The long upward price trend seems to be temporarily running out of steam. Uncoated white paper prices (cut-sized 8½ × 11 sheet) have fallen about 8% since last spring. Reasons: increased domestic capacity plus import quotes below U.S. producer levels—with substantial shipments coming in from Mexico, Brazil, and Scandinavia enough to push imports here up 100% so far this year. The recent $30/ton increase in linerboard is also running into trouble. There is also some discounting in pulp. But newsprint and coated paper remain quite firm.

Natural gas

New Department of Energy projections for relatively stable prices are being confirmed by independent surveys. One, by Control Data Corp. covering 1,000 gas producing companies, finds no evidence of recent projections calling for 9-12% increases in 1985. Reason: competition is forcing renegotiation of many existing contracts—with revised pacts calling for lower prices. Another survey, by Washington Analysis Corp., suggests decontrol of new gas, instead of sparking a new spiral, will probably result in stable to falling wellhead prices.

Chemicals & allied products

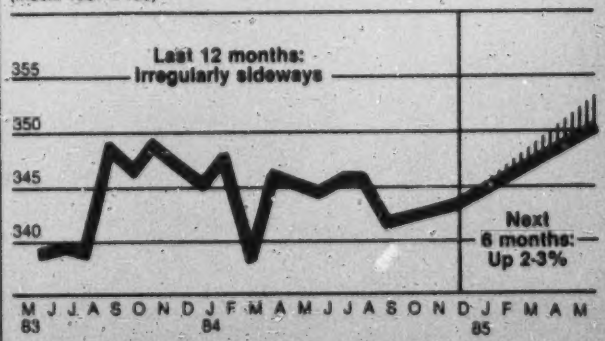
CURRENT SITUATION: Buyers remain firmly in the saddle. Take a look at the accompanying chart which suggests that **price averages are now actually running a bit under early 1984 levels.** Key product lines that have been experiencing softness include ethylene, propylene, benzene, toluene, xylene, phthalic anhydride, and most plastic resins and synthetic fibers. Increases that have been posted have met with significant buyer resistance.

DEMAND: All signs point to about an 8% increase in overall chemical and allied product production this year—just under the 1983 pace. The paint industry will do a lot better than average, as will farm chemicals. Shipment gains of 7-8% are expected for plastic resins. Synthetic fibers aren't doing that well. **For 1985—look for decelerating rates of gain—with a 4-5% gain for chemicals running ahead of the expected 3% GNP gain.**

SUPPLY: There's still more than enough to go around in most product lines. Operating rates tell the story here. Overall, the industry is producing at only about 73% of its potential—with the rate for basic raw chemicals at a slightly higher 78%. These low operating rates can be traced to strong import flow and reduced export demand. Continuing plant expansion is another factor—**this year capacity increased by about 3% and an even bigger 5% addition is expected for 1985.**

PRICE OUTLOOK: Boosts will be scattered and quite modest—because of a combination of continuing overcapacity, import competition, fairly stable petrochemical feedstock costs, and somewhat less ebullient demand. **Best bet: only a 2-3% advance through next spring, with a few products (like sulfur) rising a bit more.** Strong competitive pressures will limit hikes in both chemical building stocks and in downstream products such as plastic resins and synthetic fibers.

Industrial chemicals
(Index: 1967 = 100)



Industrial price trends

Expect some modest price increase.

At least that's what Data Resources Inc. (DRI) cost forecasting formulas are suggesting these days. Analysts at the big Lexington, MA-based econometric consulting firm expect industrial goods price averages to move up about 5% next year and some 6.6% in 1986.

To be sure, that's not all that bad compared to the double-digit rates that prevailed as recently as 1980 and 1981. But they do represent some acceleration from 1983 (when prices rose only 1.1%) and from this year's estimated 3% advance.

Nevertheless, it's still basically a no sweat price situation—the table below details how some key product lines seem to be shaping up.

Price outlook through 1986
(Comparison of third quarter pricing)
(% change)

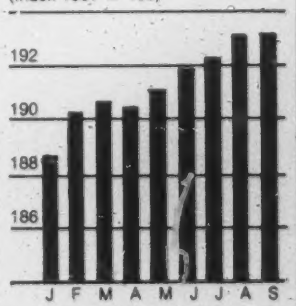
	1984/83	1985/84	1986/85
Raw materials, energy			
Finished lubricants	6.5	4.1	6.1
Industrial chemicals	0.4	5.3	7.0
Laminated plastic sheets	7.3	5.2	5.6
Unwatermarked bond #4	5.2	6.9	7.4
Pulp & paper products	9.1	6.3	7.3
Supplies for manufacturing	3.8	3.5	6.4
Metals			
H.R. carbon steel strip	6.6	5.0	6.5
Carbon steel plates	−0.2	5.0	8.1
Gray iron foundries	4.5	5.7	8.3
Domestic copper cathode	−13.7	17.0	6.7
Nickel cathode sheets	0.0	11.3	13.0
Aluminum base scrap	13.1	7.9	11.0
Components			
Miscellaneous rubber products	1.1	6.8	6.8
Hardware	2.1	4.9	5.8
Fasteners	6.0	6.1	5.6
Internal combustion engines	2.5	6.4	6.8
Relays	5.8	5.5	6.0
Linear ICs	4.7	0.0	1.3
Components for manufacturing	2.8	5.3	6.5
Construction products			
Prepared paint	3.0	5.5	5.2
Valves and fittings	4.0	5.1	7.8
Fabricated structural steel	1.8	6.6	8.5
Concrete ingredients	4.2	7.9	9.4
Sack mix	3.8	8.9	8.5
Machinery			
Warm air furnaces	3.6	5.1	4.6
Construction equipment	2.0	7.0	7.9
Metal-forming machine tools	2.7	6.6	8.6
Mechanical power transmission equipment	3.9	7.0	6.6
Integrated & measuring instruments	3.8	4.6	6.1
Oil & gas field machinery	0.6	5.9	8.3

Source: Data Resources, Inc., Cost Forecasting Service

Electronic components

Prices continue to slip in the big 64K DRAM market. One domestic producer has dropped quotes on volume orders to as low as $1.85—far under recent $3.60-$4.00 spot levels. The more powerful 256K DRAM is also lower with tags under $20 reported. Declines, too, are noted in the 64K static RAM market—with Japanese imports said to be available for only $18-$22—off substantially from the $25-$30 late spring level.

Electronic components
(Index 1967 = 100)



Aluminum

Production cutbacks have yet to stem the price slide. Further retrenchment (bringing the U.S. operating rate under the current low 77% level) may be needed. Signs of softness persist with the U.S. market ingot off another 5-6¢/lb since late August. Also, fabricated products have softened, particularly in common alloy sheet and extrusions. Fairly strong demand continues, with 1984 totals expected to be up 7-8%. But next year's gains should be smaller—somewhere in the 3-5% range. A price turnaround could be 3-6 months away.

Titanium

Mill product prices are beginning to firm—with boosts in the 2-3% range being posted on bar, billet, plate, and sheet. And similar increases are expected for the first quarter of 1985. Behind the increases: improving demand, with U.S. shipments expected to reach 42-43 million lb this year—up more than 30% from last year—and about 6-7 million lb of the gain coming out of inventories. Another smaller advance (to near 44 million lb) is expected for 1985.

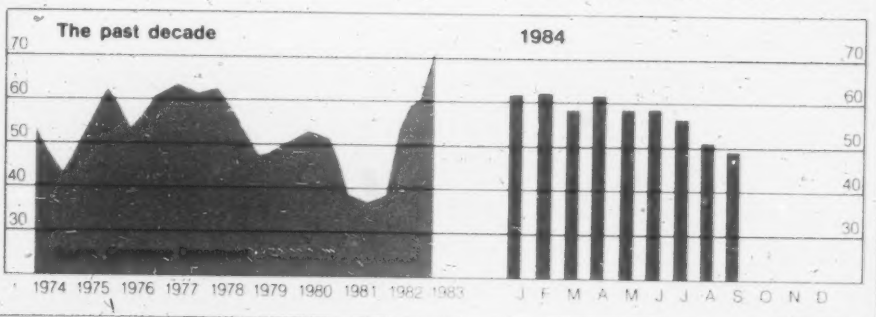
Copper

Still no sign of a price pickup. Despite some substantial stock reductions (500,000 tons on a global basis since January), producer prices continue to hover in the 60¢/lb+ level—the lowest in over two years. Another price depressant: larger import shipments in anticipation of quotas or tariffs which were nixed by the Administration. It now looks like further stock cuts carrying over into early 1985 may be necessary to justify a sustained upward rally—one that could bring tags back up into the 70¢/lb+ range.

BUSINESS DATATRAK

NAPM business barometer

Based on five indicators (employment, inventories, new orders, production, vendor performance)



KEY ECONOMIC TRENDS

Growth has slowed to a crawl

That's not to say that GNP is not still heading for higher ground. Rather, the annual rate of increase has shrunk to about 2-3% for the current (fourth) quarter—a sharp deceleration from the 10% and 7% rates posted for the first two quarters of this year.

A similar picture seems to be shaping up for the first quarter of 1985. The NAPM Business Barometer (see chart) has dropped to near the neutral 50 mark—far under the 60+ readings for early 1984.

Equally sobering is the fact that new orders, though still high, have held steady since spring. This is probably why industrial production is beginning to level off (see chart).

Based on preliminary estimates, for example, fourth quarter output will only be up 3-4% at annual rate. And projections are calling for even smaller gains over the first six months of 1985—probably around 2-3% at annual rate.

Much of this deceleration will be a result of easing in the automobile and construction industries. Foreign trade trends are also sapping the strength of factory output—the strong U.S. dollar encourages more imports while at the same time making it hard for U.S. firms to increase their exports.

Some eye-opening figures: In recent months the trade deficit has been running at an annual rate of $140 billion—with imports rising nearly 30% ahead of a year ago.

The slowdown in production gains is beginning to have an effect on employment. The factory overtime rate has dropped to just over 3 hours/week from the 3.7 hours/week rate posted in April.

This suggests that further drops in the unemployment rate will be hard to come by. Indeed, the jobless level may remain at 7% through 1985.

In spite of these problems the economy will remain in the plus column. Capital spending for new plants and equipment will be up strongly through 1985—and these long leadtime items will have positive impact on the economy for at least another few quarters.

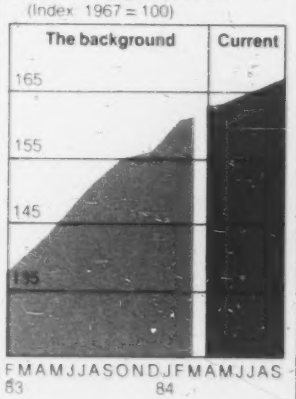
Even the hard-hit machine tool industry is looking better. There are still big month-to-month variations (see chart), but the trend is up—even in the face of continued import penetration.

The low inventory/sales ratio (currently at 1.35—far under the 1.74 peak of 1982) is another optimistic sign. If nothing else, the absence of buildup lessens the chance of a near-term inventory drawdown that might precipitate a recession.

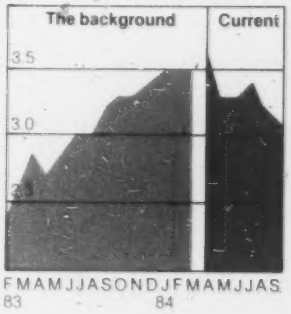
...continued

Leading indicators

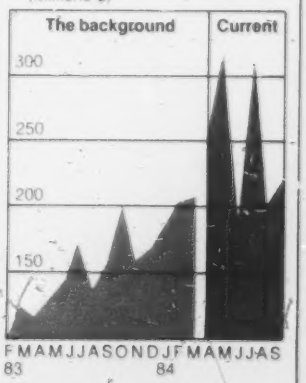
1. Industrial production
(Index: 1967 = 100)



2. Factory overtime hours



3. Machined tool orders
(Millions $)



Last but not least, the Fed may be having second thoughts about tightening credit screws another notch or two. Don't expect any major decline—but a half percent drop is likely in the next 30 to 60 days.

Big(ger) cars for '85 fleets

"Bigger" is in again—at least as far as 1985 fleet car buying is concerned.

While there is no real surge to the larger vehicles of the 1960's and 1970's, the trend to small compact and subcompact cars seems to have topped out.

So say the nearly 200 sales and service fleets responding to a new National Association of Fleet Administrators' survey. Specifically, only 31% of their anticipated 1985 fleet purchases are being earmarked for compacts and subcompacts—just about half the 60% figure noted last year in a similar survey.

The big shift is toward mid-sized vehicles which are expected to make up about 54% of the upcoming year's total fleet purchases (vs. only 35% last year).

There is also some increase in the percentage opting for larger cars (15% now vs. 7% last year). But note that the number is still relatively small and some of these large cars will be vans rather than conventional passenger vehicles.

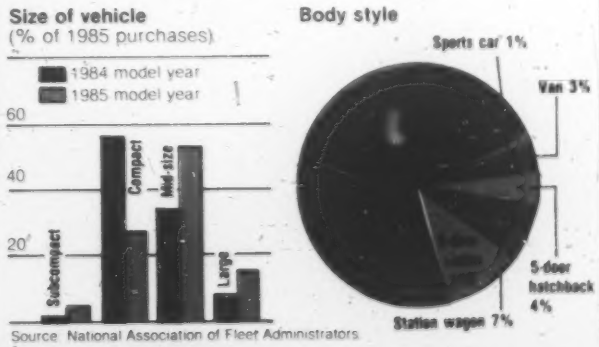
This year 3% of fleets will go for vans. In fact, some 15% of the surveyed fleets expressed interest in these bigger vehicles.

In conventional configurations, 4-door sedans will continue to make up the lion's share of new purchases (74%)—with other styles commanding the following share: 2-door sedans (10%), stationwagons (7%), and 5-door hatchbacks (4%).

Respondents also noted increasing interest in several options including cruise control, tilt steering wheel, and special door locks, the popularity of the latter two being attributed to the increasing number of women entering the fleet force.

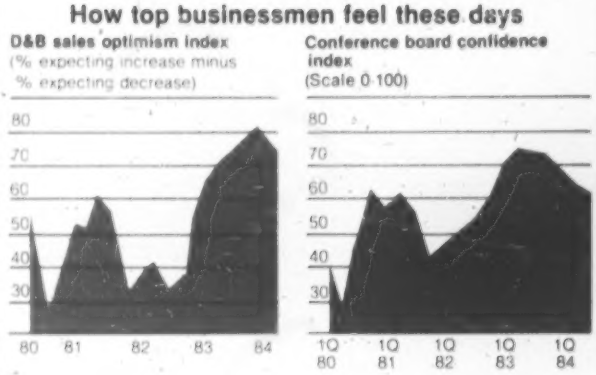
Another interesting finding: for the first time in six years, economy of operation is not the most important consideration in fleet car selection: While still playing a major role, it is now topped by two other considerations: initial cost and depreciation resale value.

A 1985 fleet car profile



Source: National Association of Fleet Administrators

How top businessmen feel these days



Optimism wanes a bit at the top

Top corporate decision makers aren't quite as optimistic as they were a while back (see accompanying chart).

Dun & Bradstreet's widely monitored Sales Optimism Index, for example, is showing signs of leveling off—suggesting that future gains could be somewhat harder to come by.

Also, the Conference Board's Confidence Index has been declining for several quarters. While the drop-off has been gentle (the index is still far above the recession lows), levels are now considerably under 1983 peaks.

Some of this is to be expected. As Lora S. Collins, Director of Business Conditions Analysis at the Board puts it, "since the expansion has been underway for more than a year and a half, business executives are less likely to report that conditions have been or will be improving markedly in the months ahead."

The Conference Board report has some good news to balance this new, more cautious mood. Surveyed leaders expect the prices of their products to increase only modestly through 1985. In fact, only 17% anticipate that selling prices in their industries will rise faster in 1985 than in 1984.

Why the toned down price expectations? It may be a reflection of the slower economic growth anticipated for the quarters immediately ahead. Another factor could be that price increases have been coming in under target—making many sellers realize that they are not going to get all the price boosts that they might want.

...continued

CURRENT PRICES

Prices off except for paper lines

Things are still looking good, with industrial price averages off another 0.4% over the latest reported month. Current levels are now running about 1½% above a year ago. This is hard to believe given nearly two years of solid demand gain.

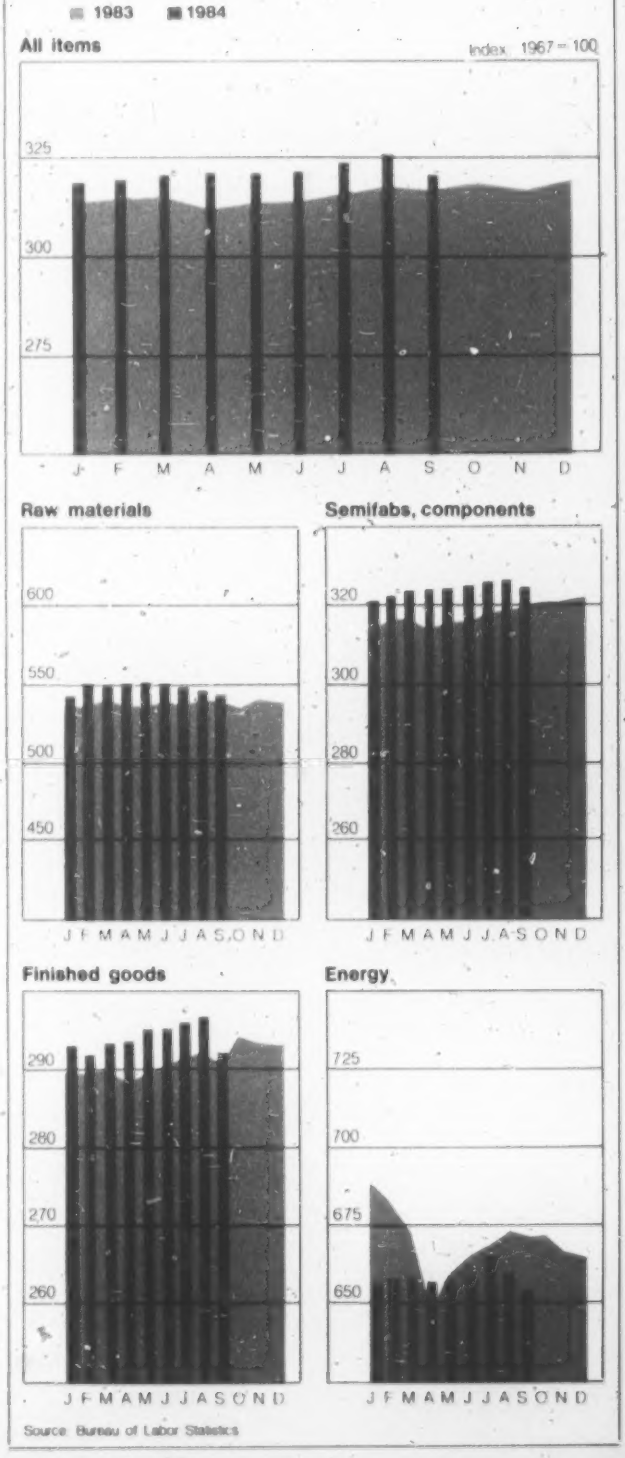
Paper lines are one of the exceptions with a strong rising trend—7% or higher year-to-year increases noted in such key sectors as corrugated, paperboard, and paper office supplies.

Energy tags, on the other hand, continue to slide—the overall year-to-date decline is now put at 2½%. Softness has been noted over the last month in lube oils, gasoline, home heat-

This month's breakdown

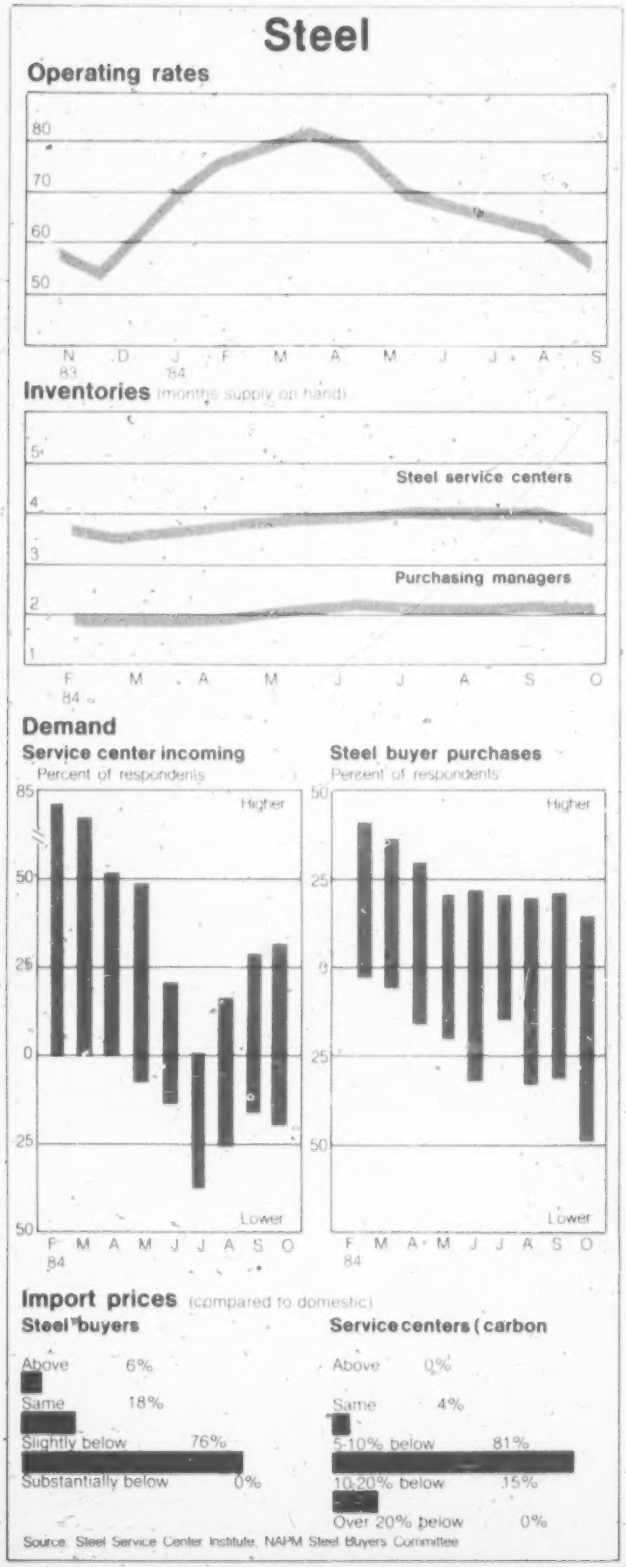
	Latest level (Sept.)	% change from: Month ago	Year ago
Bearings	344.1	0.1	3.6
Bolts, nuts, etc	276.8	−0.1	3.6
Chemicals, inorganic	295.8	0.5	1.9
Chemicals, organic	357.5	−1.8	−4.0
Concrete products	311.4	0.0	2.6
Corrugated cartons	268.9	1.6	10.3
Cutting tools, small	281.2	0.4	1.2
Electric lamps (bulbs)	332.0	−0.2	1.6
Electronic components	194.8	0.9	4.2
Fans and blowers	351.6	0.1	4.1
Foundry and forge products	362.6	0.2	3.2
Fuel oil (residual)	1119.4	−2.9	1.6
Furniture, commercial	298.5	0.0	3.9
Gasoline	550.4	−0.8	−11.2
Glass, flat	217.9	−0.0	−5.1
Glass containers	364.6	−0.4	3.8
Gypsum products	356.1	0.9	19.6
Hand tools	359.7	0.2	2.6
Hand tools, power driven	225.1	0.4	1.8
Industrial furnaces	375.5	−0.1	3.3
Integrating and measuring instruments	230.2	0.4	3.9
Internal combustion engines	348.0	0.5	2.1
Lubricating oil	794.5	−0.4	2.4
Lumber millwork	307.0	0.3	0.4
Material handling equipment	290.6	0.1	1.9
Metal containers	352.6	0.1	4.2
Metal mill shapes (nonferrous)	317.6	−1.2	0.8
Metal tanks	305.6	−0.2	0.7
Motors and generators	340.4	0.0	1.5
Motor trucks	267.8	−4.9	4.9
Office and store equipment	154.2	0.1	−0.1
Paperboard	288.2	1.0	13.5
Paper boxes and shipping containers	265.9	0.7	7.2
Paper office supplies	246.4	1.1	8.6
Paint	277.4	0.4	4.9
Plastic resins	311.2	0.6	2.9
Precision measuring tools	253.3	0.0	3.1
Pumps and compressors	349.6	0.4	1.0
Refractories	362.7	0.0	6.6
Rubber belts and belting	347.3	−0.5	6.7
Scales and balances	232.3	0.0	1.8
Steel products	364.8	0.0	2.8
Switchgear	273.8	−0.3	−0.1
Textiles, synthetic fibers	159.2	−0.4	0.8
Textiles, gray fabrics	154.5	0.1	4.9
Tires and tubes	244.7	0.2	0.9
Transformers and power regulators	228.5	0.2	1.6
Welding equipment	283.0	0.5	1.7
Wire and cable	201.0	−0.5	−1.6

Industrial prices



Source: Bureau of Labor Statistics

BUSINESS DATATRAK



ing oil, diesel fuel, coal, and even natural gas. Only liquid petroleum gas edged up.

Metals also remain on the shaky side with new declines hitting aluminum, copper, lead, and zinc. Ditto steel where discounts have tended to widen as demand continues at disappointing levels.

Elsewhere in basic materials, new easiness was reported in scrap metals, industrial chemicals, rubber hose, synthetic fibers, wire, and cable—enough to offset increases in paints, gypsum products, lumber millwork, plastic resins, and non-automotive metal stampings.

On the upside were light trucks, truck trailers, pumps and compressors, welding equipment, and metalworking machinery. Balancing declines hit switchgear, heavy trucks, and plastic industry machinery.

Perhaps the most encouraging sign is the broad sweep of the current price lull. Declining or level quotes are now noted in nearly half of all the individual product lines monitored regularly by *PW* (see table). This has not happened for decades.

STEEL SCENE

Not much worry for steel buyers

Inventory paring could be one factor behind recent steel performance.

That's what new metal surveys seem to suggest. Stocks held by distributors responding to a Steel Service Center Institute (SSCI) study dropped sharply over the past month—falling from a 4-month supply down to under 3.7 months. That puts levels down to about where they were earlier this year before tonnages began to mount.

Metal users, responding to the latest NAPM steel buying survey, also indicate a decline—though the drop was somewhat less precipitous than that noted in the SSCI survey.

Both buyer and user groups seem determined to bring their holdings down even further. On the buyer front, for example, more than half the purchasing executives queried (52%) are aiming for lower stock levels over the next six months.

This seems to be true for service centers—despite the significant decline noted above. Indeed, some seven out of ten say they hope to have lower tonnages by the end of the year.

This basic optimism is clearly reflected in comments by SSCI executives. At a recent news conference SSCI president Andrew Sharkey and a panel of service center executives projected a 21 million-ton-year—up about 21% from the 17.3 million tons that distributors shipped in 1983.

Increased service center steel demand, says Sharkey, is attributable to overall increased demand by recovering industries and higher market penetration by the centers. On the latter score, distributors are expected to handle over 30% of the carbon indus-

trial steel made in the U.S. in 1984—up from 20% in the mid-1970's.

Sharkey adds that the increased popularity of just-in-time delivery has clearly helped service centers—as mills have difficulty meeting stringent delivery schedules.

Despite this rosy picture, service centers do not anticipate procurement problems. Not one single distributor noted any potential headaches over the next three months.

And buyers would seem to agree for the most part. Only one item—coated sheet—seems to worry a few of them. But even here the number of concerned PMs is only one-third of those noted a few months ago.

Another area of agreement: the ready availability of low priced imports. Some three out of every four queried buyers, for example, report price breaks vis-a-vis comparable domestic metal.

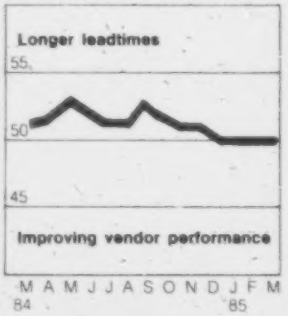
And the same is true of service centers who monitor carbon and stainless steel separately. In the carbon steel sector, some 96% say there are bargains—with 15% putting the savings in the 11-20% bracket. In stainless, all agree that imports are cheaper—and one out of five put the savings in the 11-20% range.

Service centers and buyers seem split as to their future dependency on imports. The service centers see a decline based on the expected imposition of new voluntary quotas. Steel buyers, on the other hand, are still counting on increasing metal imports over the next six months.

Monthly procurement status report

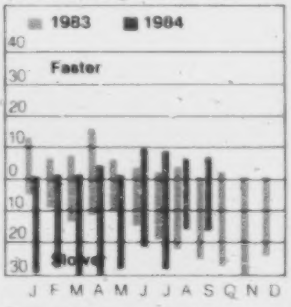
Leadtime index

A 'diffusion' index based on 158 key commodities. Above 50 indicates a tendency for leadtimes to stretch out. Below 50 suggests improving vendor performance

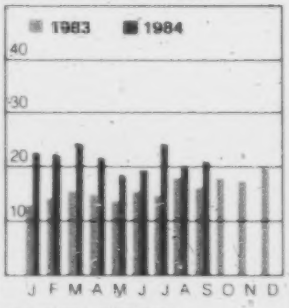


Delivery performance

Percent reporting deliveries

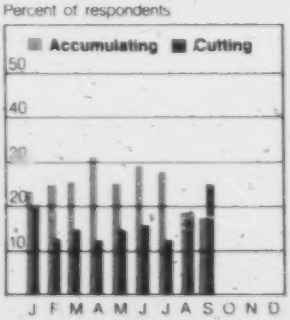


Forward commitments



Inventory strategy

Percent of respondents



Source NAPM

PROCUREMENT STATUS

Everything's coming up neutral

While there are still a few stretchouts and reductions reported, averages remain about the same, as witnessed by another neutral "50" reading on *PW*'s exclusive leadtime index.

It is significant that this is occurring during autumn which is traditionally the busiest time of the year for filling industrial orders. Almost every PM queried in *PW*'s latest "procurement status" survey notes a basically "no sweat" situation.

This picture is also confirmed by NAPM's Business Survey Committee which notes that the number of respondents reporting slower deliveries has actually continued to decline—only 14% at latest report vs. 28% two months ago and 15% last month.

Look at the narrowing gap of just 7% between those reporting lower (14%) and faster (7%) deliveries—in contrast to a 37% gap of only 6 months ago—and the same conclusion is evident.

Again the only real problem area seems to be in electronic components and integrated circuits. But even here waits are not as long as they were last spring.

Several reasons for the improving scenario are: more-than-ample capacity, a still rising level of imports, and a stable rather than rising order pattern.

As one buyer put it, "I thought fall would be the transition period from a buyers' to a sellers' market. But now I see clear sailing into 1985—and maybe even beyond that."

This conclusion seems to be confirmed by price changes. Over the last reported month, PMs noted more price decreases than at any time in a year and a half. Equally noteworthy: the number reporting decreases (12%) was not significantly under those reporting increases (19%).

Not surprisingly, PMs are keeping a tight rein on inventories. Indeed, more are now cutting than adding (the first time this has happened since 1983).

Leadtimes and availability

Chicago: Longer leads for pipes, valves, and fittings (2-3), wide galvanized steel sheet (15), and structural steel (3-6). There is less of a wait for aluminized steel sheet (5), chrome chemicals (1), and surfactants (½-1). Aluminum is unchanged (10-12).

Cleveland: Corrugated material is in to 2-3 weeks, while boxes hold at 3. Coil-coatings have edged to 5 and maintenance paints have stretched to 4. Not much action elsewhere with these weekly waits: plastics (3-4), 2-ply fiber drums (2), and cold finished aluminum (14).

Los Angeles: Status quo here with these weekly leads: semiconductors (12), printed circuit boards (8), connectors (40), passive components (13), copper tubing (5-6), grey iron castings (4-6), insulation materials (6-8), pumps (8-10), fasteners (6-8), paint (3-5), and electro-mechanical components (6-8).

BUSINESS DATATRAK

Houston: MRO deliveries are a bit faster at 0-3 weeks. No problems anywhere else: all metals (0-2), forgings (5-7), control valves (8-26), chemicals (0-1), pumps (0-6) and high pressure heat exchangers (17-26).

Philadelphia: A mixed picture here. Moving out are standard fasteners (4), specialty fasteners (8-10), specialty bearings (18-20), and 5-10 HP motors (12). Coming in are 8031 microprocessors (stock to 10) and printed circuit boards (10-14). No change in pumps and valves (10) and steel sheet (1-2).

Pittsburgh: Multiwall packaging material is in slightly to 5-6 weeks. So is chipboard (to 2-3) and manganese (to 3). Unchanged are drums (1), corrugated containers and folding boxes (3-4), steel strapping (2-3), seals (1-2), and polyethylene and PVC (5-6).

Leadtimes (in weeks)

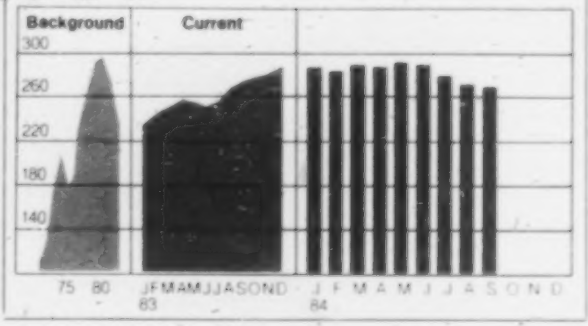
	Now	Month ago	Six months ago
STEEL			
Sheet (Phil)	9	9	9
C-R Sheet (Chgo)	5	5	8
Plate (Phil)	10	10	10
Plate (Chgo)	2½	2½	6
Reinforced (Hous)	6	6	6
H-R Bars (Phil)	7	7	7
H-R Bars (Chgo)	3	3	3
Cold-Drawn Bars (Phil)	7	7	7
Galvanized (LA)	14	14	16
Galvanized (Chgo)	11	10	9
Structurals (Chgo)	4½	3½	3½
Structurals (Hous)	17	17	17
Tubing (Phil)	7	7	7
Grey Iron Castings (LA)	5	5	9
Steel Castings (Hous)	11½	11½	11½
Forgings (Hous)	6	6	5
Pipe, Carbon (Hous)	13	13	13
ELECTRIC & ELECTRONIC			
Cables (Chgo)	8½	8½	8½
Capacitors (Chgo)	17	17	16
Circuit Breakers (Chgo)	6	6	6
Electromech. Devices (LA)	7	7	13
ICs (Linear) (Phil)	20	20	20
Motors (Phil)	15	15	21
Motors, 1000 hp & Up (Hous)	39	39	39
Printed Circuit Boards (Chgo)	20	20	17
Relays (Chgo)	15	15	15
Resistors (Chgo)	14	14	10
Resistors, Wirebound (Phil)	10	10	10
Transformers (Chgo)	10	10	10
LUMBER			
Hardwood (Pgh)	3	3	3
Hardwood (Clev)	3½	3½	3½
Plywood (Chgo)	2	2	1½
Plywood (Phil)	1½	1½	1½
Softwood (Clev)	3	3	3
Softwood (Phil)	¼	¼	¼
Softwood (Pgh)	3	3	3
Particleboard (Phil)	2½	2½	2½
CHEMICALS-PLASTICS			
Adhesives (LA)	½	½	½
Napthalene (Chgo)	2	2	2
Paint (LA)	5	5	5
Paint, Coil Coating (Pgh)	4	4	4
Paint, Maint. (Cleve)	4	3½	3
Polyester Resin (LA)	2	2	2
Polyethylene Resin (Cleve)	3	3	3
Polyethylene Resin (Pgh)	4	4	4
PVC Resin (Chgo)	1	1	2
PVC Resin (Pgh)	6	6	6
Titanium Dioxide (LA)	1	1	1
PACKAGING			
Bags, Kraft (Pgh)	5	5	5
Bags, Multiwall (Clev)	9	9	9
Bags, Multiwall (Pgh)	6	6	6
Cartons, Corrugated (Cleve)	2½	3	3
Cartons, Corrugated (Hous)	3	3	3
Cartons, Folding (Phil)	6½	6½	6½
Cartons, Folding (Pgh)	3½	3½	3½
Cellophane Wrap (Phil)	5	5	5
Plastic Bags (Pgh)	3½	3½	3½
Plastic Pkg. (Pgh)	3	3	3
Shrink Film (Chgo)	4	4	4
Shrink Film (Clev)	3	3	3
Drums, Fiber (Pgh)	1	1	1
Drums, Steel, Std. (Pgh)	1	1	1
Wood Pallets (Chgo)	2½	2½	2½
Wirebound Boxes (Pgh)	4½	4½	4½
Strapping (Clev)	2½	2½	2½
Strapping (Pgh)	3	3	3
PAPER			
Fiberboard (Clev)	3½	3½	3½
Glassine (Clev)	4½	4½	4½
Glassine (Pgh)	5½	5½	5½
Groundwood (Clev)	4½	4½	4½
Groundwood (Pgh)	7	7	7
Kraft (Clev)	1	1	1
Kraft, Bleached (Clev)	1	1	1
Kraft, Bleached (Pgh)	5	5	5
Kraft, Natural MFNS (Clev)	1	1	1
Laminated (Clev)	8	8	8
Tissue (Pgh)	5½	5½	5½
NON-FERROUS			
Aluminum Coil (Chgo)	11	11	15
Aluminum Plate (Chgo)	14	14	12
Aluminum Sheet (LA)	4½	4½	4½
Aluminum Sheet (Chgo)	11	11	15
Brass Castings (LA)	7	7	13
Brass Rods (Chgo)	6	6	4½
Brass Sheet (Chgo)	9	9	17
Brass Tube (Chgo)	5	5	9
Copper Fittings (LA)	3½	3½	3½
Copper Mill Prod. (Pgh)	6	6	6
Copper Tube (LA)	5½	5½	5½
Copper Tube (Phil)	6	6	6
Lead (Pgh)	2	2	2
Magnesium (Pgh)	4	4	3
Manganese (Clev)	1	1	1
Nickel (Clev)	1	1	1
Nickel (Pgh)	2	2	2
Silicon (Clev)	1	1	1
Tin (Pgh)	3	3	3
Wire, Specialty (LA)	5	5	8
Zinc (Pgh)	2	2	6
MISCELLANEOUS			
Bearings, Domestic (Phil)	22	22	12
Bearings, Foreign (Phil)	26	26	26
Boilers & Furnaces (Hous)	35	35	35
Compressors, Centrifugal (Hous)	50	50	48
Compressors, Reciproc. (Hous)	39	39	39
Fasteners (Chgo)	1½	1½	1½
Fasteners (LA)	7	7	9
Fasteners, Std. (Phil)	4	2½	2
Heat Exchangers, Carbon-alloy Steel (Hous)	20	20	20
Heat Exchangers, Hi-pressure (Hous)	35	35	21
Insulation Mat'l (LA)	7	7	7
Machined Parts (Hous)	9	9	9
Pipes & Valves (Chgo)	2½	2	2
Pumps (Hous)	35	35	35
Pumps (LA)	9	9	9
Rubber, Synthetic (LA)	2	2	2
Rubber Hose (LA)	4	4	4
Tungsten Carbide Parts (Hous)	15	15	15
Valves, Cast Steel (Hous)	17	17	17
Welding Supplies (Hous)	5	5	5

BUSINESS DATATRAK

Raw material price barometer

Latest month	274.0
Month before	275.6
Year ago	267.9

Index: 1967 = 100



Latest spot market prices

	Latest price	Previous month	Year ago
FERROUS METALS			
Pig iron, basic, valley, gross ton	213.00	213.00	213.00
Pig iron, Bessemer, Pitts., gross ton	213.00	213.00	213.00
Steel, billets, Pitts., net ton	367.00	367.00	347.00
Steel, structural shapes, Pitts., cwt.	23.90	23.90	23.90
Steel, structural shapes, Chi., cwt.	23.90	23.90	23.90
Steel, structural shapes, Los Angeles, cwt.	24.40	24.40	24.40
Steel, bars, dlvd. Phila., cwt., merchant quality	23.95	23.95	17.50
Steel, bars, Pitts., cwt.	23.95	23.95	17.50
Steel, bars, C.R., Pitts., cwt.	29.25	29.25	26.00
Steel, plates, Pitts., cwt.	23.25	23.25	25.75
Steel, plates, H.R., Pitts., cwt.	23.25	23.25	25.75
Steel, sheets, C.R., Detroit, cwt.	27.10	27.10	26.15
Steel, strip, C.R., Chi., cwt.	35.30	35.30	35.30
Steel, basic wire, Pitts., cwt.	23.65	23.65	23.65
NONFERROUS METALS			
Aluminum, ingot, lb. (market place)	0.485	0.495	0.755
Antimony, in alloy, lb.	2.00	2.00	2.00
Beryllium-copper, cost ingot, lb.	5.20	5.20	4.95
Brass, red, 85%, [sheet], lb.	1.24	1.26	1.23
Brass, yellow, [sheet], lb.	1.19	1.21	1.17
Cadmium, ton lots, lb.	1.55	1.55	1.25
Copper, electrolytic, wire bars, refd., lb.	0.62	0.65	0.65
Copper sheet, over 24 in., lb.	1.33	1.35	1.32
Lead, common, N.Y., lb.	0.22	0.26	0.25
Magnesium, pig ingot, [99.8%], lb.	1.48	1.48	1.38
Mercury, 20 fl. lots, N.Y., fl.	322.00	327.00	317.00
Molybdenum Climax Oxide/bags, lb.	4.65	4.65	4.65
Nickel, electrolytic, producer, lb.	3.20	3.20	3.20
Platinum, producer, oz.	475.00	475.00	475.00
Silver, N.Y., oz.	7.14	7.20	10.43
Tin, Straights, N.Y., lb.	6.05	6.20	6.41
Zinc, Prime West, East St. Louis, lb.	0.45	0.48	0.46
Zinc, die casting alloy, No. 3, lb.	0.515	0.545	0.525
PAPER			
Uncoated book #3 offset, ton	850.00	850.00	730.00
Watermarked bond, ton	985.00	985.00	845.00
Gummed sealing tape, carton	15.65	16.02	15.44
Boxboard, mach. clay ctd. recycled sheets 80 bright, .016, ton	495.00	495.00	475.00
Wrapping paper, std. distributor cost, kraft, basis wt. 50 lb., roll	28.00	28.00	28.00
Kraft linerboard, 42 lb., unbleached, ton	350.00	350.00	290.00
TEXTILES			
Burlap, 10 oz., 40", N.Y., yd.	0.380	0.359	0.284
Cotton drill, 1.85, 59", 68x49, N.Y., yd.	1.04	1.04	1.00
Cotton middling, 1", N.Y., lb.	0.595	0.622	0.712
Printcloth, 48", 80x80, N.Y., spot, yd.	0.79	0.77	0.74
Army duck, 37", 13 oz., yd.	1.78	1.91	1.63
Blended printcloth, 64", 78x54, yd.	0.77	0.77	0.74
20s combed yarns	2.10	2.10	2.10
Wool tops, N.Y., lb.	3.60	3.60	3.60

	Latest price	Previous month	Year ago
CHEMICALS			
Acrylonitrile, tanks, lb.	0.455	0.455	0.430
Ammonia, anhydrous, fertilizer, wholesale, tanks, ton	210.00	210.00	160.00
Benzene, petroleum, tanks, Houston, gal.	1.18	1.28	1.50
Caustic soda, 76% solid, drums, carlots, cwt.	26.00	26.00	26.00
Cresylic acid [over 25%], tanks, lb.	0.58	0.58	0.58
Formaldehyde, USP, 37% [12% to 15% meth.], tanks, lb.	0.105	0.105	0.105
Glycerine, synthetic, tanks, lb.	0.81	0.81	0.73
Methanol, syn., tanks, 4,000 gals., f.o.b. Gulf Coast plants	0.54	0.54	0.48
Naphthalene, crude, tanks, lb.	0.22	0.22	0.22
Phthalic anhydride, tanks, lb.	0.305	0.305	0.305
Polyethylene resin, low density liner film grade (market price), lb.	0.35	0.35	0.38
Polypropylene, homopolymer grade (market price), lb.	0.39	0.39	0.38
Polystyrene, general purpose grade (market price) lb.	0.39	0.39	0.38
Shellac, bone dry, N.Y., lb.	1.65	1.65	1.65
Soda ash, 58%, light carlots, cwt.	6.15	6.15	6.15
Styrene monomer, 99.6%, tanks, lb.	0.35	0.35	0.35
Sulphur, crude, ex-terminal, Tampa, Fla., lt.	147.50	147.50	132.50
Sulphuric acid, 66%, commercial, tanks, ton	56.85	56.85	56.35
Titanium dioxide, anatase, reg., carlots lb.	0.69	0.69	0.69
Xylene tanks, gal.	1.25	1.33	1.33
BUILDING MATERIALS			
Lumber, 2x4 fir, mbf, cl.	311.25	312.75	330.50
Lumber, 2x2, pine, mbf, cl.	293.25	298.15	322.90
Plywood, plyform, ¼", msf, cl.	576.75	576.80	546.70
Plywood, ¼", msf, cl.	384.45	373.08	357.15
Cement, bulk, ton, fl.	63.75	63.75	61.79
Sand, ton, cl.	6.20	6.07	5.96
Ready-mix concrete, 3,000 psi/cu yd., 15 cu. yd.	46.84	46.87	45.73
Crushed stone, 1½", ton, cl.	7.43	7.27	8.00
Concrete blocks, sand/gravel, 8"x8"x16", ea., fl.	0.78	0.78	0.76
Gypsum sheathing, ½"x1"x8", msf, fl.	207.22	205.57	171.46
Brick, common, per thousand, fl.	174.38	173.08	172.05
Asphalt paving, AC-20	169.92	169.53	158.71
Concrete sewer pipe, 12", prem. joint, per foot, cl.	7.08	7.04	6.66
FUELS			
Fuel oil, No. 6 or Bunker C, Gulf, bbl.	26.50	26.25	25.75
Fuel oil, No. 6 or Bunker C, N.Y. barge, bbl., reseller	31.00	30.50	31.25
Gasoline, 91 oct., reg., Los Angeles, rack, gal.	0.810	0.740	0.758
Gasoline, 94 oct., reg., Chi., tank car, gal.	0.803	0.796	0.858
Heating oil, No. 2, Chi., bulk, gal.	0.820	0.795	0.828
Heating oil, No. 2, N.Y., bulk, gal.	0.808	0.808	0.848
Heavy fuel, PS 400, Los Angeles, rack, bbl.	26.50	26.50	26.25
Jet kerosene, gal.	0.785	0.780	0.803
LP-Gas, propane, Okla., tank cars, gal. [incl. discount]	0.42	0.41	0.49
SCRAP MATERIALS			
Steel, No. 1, hvy., dlvd., Pitts., ton	89.00	87.00	82.00
Steel, No. 1, hvy., dlvd., Chi., ton	80.00	80.00	77.00
Copper, No. 1, East, wholesale buy, dlvd., lb.	0.515	0.550	0.625
Copper, No. 2, East, wholesale buy, lb.	0.425	0.470	0.535
Brass, red, East, wholesale buy, dlvd., lb.	0.475	0.515	0.585
Brass, yellow, East, wholesale buy, dlvd., lb.	0.35	0.36	0.36
Alum., old sheet/cast, E., wholesale buy, dlvd., lb.	0.305	0.340	0.475
Alum., mixed clip, E., wholesale buy, dlvd., lb.	0.325	0.360	0.495
Zinc, old, East, wholesale buy, dlvd., lb.	0.200	0.200	0.145
Lead, clean solids, East, wholesale buy, dlvd., lb.	0.110	0.165	0.140
Paper, No. 1 mixed, dlr., N.Y., ton	Nom.	Nom.	Nom.
Paper, old corrug. box, dlr., Chi., ton	28.00	30.00	28.00
Paper, old corrug. box, dlr., N.Y., ton	23.00	25.00	22.00
Osnaburg cuttings, dlr., f.o.b. N.Y., lb.	0.12	0.12	0.10
White wipers, No. 1, dlr. buy, f.o.b. N.Y., lb.	0.37	0.37	0.33

[Sources: Metals Week, Engineering News-Record (20-city averages), Platt's Oilgram Price Service.]

Import surge continues

"I just can't afford *not* to import these days."

Multiply this statement a few hundred times and you can pretty well project the findings of a new nationwide *PurchasingWorld* survey. In a nutshell—imports are "in" and they're likely to take an even larger share of the U. S. market in the quarters immediately ahead.

There are several reasons for the continuing surge—lower overseas labor costs, better foreign productivity, and the strong U.S. dollar. The latter may be the most important factor right now, say most of the survey respondents. Reason: The U.S. dollar has appreciated by almost 30% vis-a-vis 1980-82 averages. All else being equal, this means that overseas sellers can ship their products here for nearly 30% less.

Survey buyers would certainly seem to agree—nearly 80% say that the dollar has helped keep import tags down.

Other key findings of the just-completed survey:

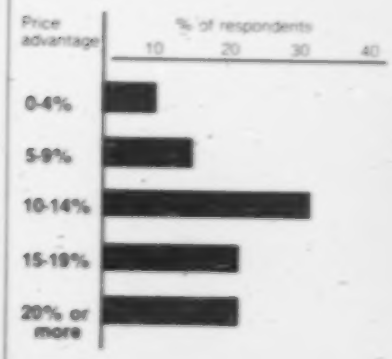
- **Current import price trends**: Averages have remained fairly stable over the past year—almost as many PMs report declines as report increases. Where changes have occurred, they have been small, generally ranging less than 5% on both the up-side and the down-side.
- **The widening advantage**: Since domestic price averages have crept up modestly over this recent period, it's not surprising that 55% of survey respondents report a widening import price advantage, compared to 40% who report no change and a small 5% who note narrowing.
- **Measuring the price advantage**: The average price break for foreign purchases is put at around 15%, although 20% of PMs reported savings of 20% or more. That 15% savings figure also represents the point at which most PMs would consider taking the import route.
- **Other importing factors**: Aside from price, higher quality is a major consideration. Other reasons noted for importing: availability, service, and the need for a bargaining lever to keep domestic suppliers on their toes.
- **The seller's role**: Rising import levels may also stem from greater marketing efforts by overseas sellers. The survey showed that three out of four buyers are reporting greater foreign sales efforts this year.
- **What's coming in?** A better question might be: what's not coming in? The list, already big last year, continues to grow—ranging from raw materials to finished products. The list includes chemicals, metals (steel, copper, aluminum, etc.), textiles, and plastics, as well as forgings and castings. But these hardly tell the whole story. Electronic parts, fractional horsepower motors, bearings, fasteners, and capital goods like machine tools and textile machinery are all high on the list of imported products. Even high tech imports—especially from Japan—are on the rise.

Perhaps the best indication of this import surge is an eye-opening estimate from the U.S. Commerce Department which shows that nearly 20 cents of every dollar spent by Americans is now spent for some kind of import. Consumer goods are certainly a part of this trend but the statistics suggest that a growing portion of the total is for industrial products.

Again, this trend is confirmed by the *PW* survey respondents—80% forecast increased import volume this year, 20% see no change in sight, and not a single respondent anticipates an import decline. ***PW***

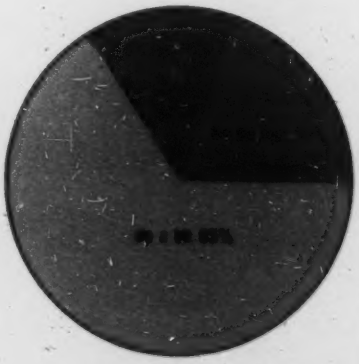
What buyers say about imports

The price advantage is substantial



and the gap is widening

so volume is increasing



Source PurchasingWorld

Transportation deregulation is paying off

by Thomas F. Dillon, senior editor

Buyers are paying more attention to transportation, especially inbound shipments, and are taking advantage of carrier discounts and freight rate negotiating opportunities.

How are purchasing managers and buyers making out under transportation deregulation? What are they doing to take advantage of the opportunities it offers? To find out, *PurchasingWorld* conducted a reader survey and here is what it revealed:

- Almost half of the respondents (48%) say transportation deregulation has been an overall plus for purchasing.
- Nine percent say it has been a minus.
- Forty-three percent say it has made no change.
- Sixty-five percent say they have been able to reduce overall transportation costs and improve service.
- Eighty-two percent say they have been able to lower rates or improve service on some shipments.

When asked to check a list indicating changes in their company's transportation operations since deregulation, 24% checked "more attention paid to inbound shipments," 16% checked "more consolidation of inbound shipments," 10% checked "more use of contract motor carriers," and 8% checked "negotiated rate and/or service contracts with railroads."

Lower costs, better service

Senior Buyer Mary L. Duffy, Sandoz Nutrition, Minneapolis, MN, sums it up for many in purchasing when she says "We have become more aware of the costs of transportation...Now we specify carriers where we used to request 'best way.'"

Respondents say they have been able to lower transportation costs and improve service by taking advantage of carrier discounts and by reducing the number of carriers they use so they will have more clout with the ones who are left. More important, they say, deregulation has resulted in more attention being paid to transportation and to inbound shipments in particular. As one New Jersey glass company buyer puts it, "We are always looking for better shipping methods and ways to lower our transportation costs."

Opportunities

As a follow-up survey, *PurchasingWorld* checked with transportation experts for advice on how purchasing departments can reduce transportation costs.

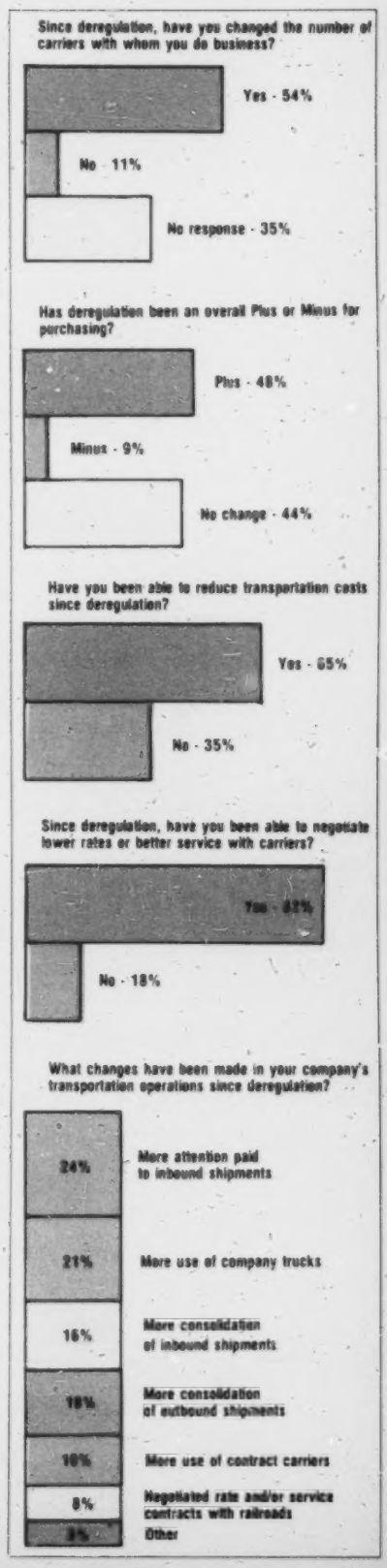
Bob Bridges, Numerax Corp., a Maywood, NJ-based transportation information services company, sees many purchasing-related transportation savings opportunities available, including:

- working with suppliers with several shipping points to determine the least-cost shipping points to the buyer's plant,
- making use of chargebacks (charging back to suppliers excess transportation costs that occur when suppliers fail to follow routing instructions),
- and consolidating inbound as well as outbound shipments.

Bridges points out that with today's computer technology and carrier simplification programs, purchasing has an opportunity to become more familiar with transportation costs and the alternatives available. Rate comparisons that just a few years ago took tedious freight tariff research can now be made in seconds with sophisticated on-line computer systems.

Bridges also encourages purchasing to work with their traffic department, particularly in trying to balance inbound and outbound shipments. If a company can offer a carrier a two-way movement, the company is in a better position to negotiate lower rates and improve service on both the outbound and inbound movements. One step toward this goal, says Bridges, is to "take a look at the geographic concentration of the company's suppliers and then compare this with the locations of

...continued on page 59


Since deregulation, have you changed the number of carriers with whom you do business?
Yes - 54%
No - 11%
No response - 35%
Has deregulation been an overall Plus or Minus for purchasing?
Plus - 48%
Minus - 9%
No change - 44%
Have you been able to reduce transportation costs since deregulation?
Yes - 65%
No - 35%
Since deregulation, have you been able to negotiate lower rates or better service with carriers?
Yes - 82%
No - 18%
What changes have been made in your company's transportation operations since deregulation?
24% More attention paid to inbound shipments
21% More use of company trucks
16% More consolidation of inbound shipments
18% More consolidation of outbound shipments
10% More use of contract carriers
8% Negotiated rate and/or service contracts with railroads
3% Other

...continued from page 50

the company customers."

Choosing carriers

Bill Whitener, vice president, marketing, Overnite Transportation Co., Richmond, VA, says that purchasing managers and buyers often choose carriers who can offer such nonprice but equally important characteristics as financial stability, a good claims record, broad geographic coverage, and a wide scope of service in terms of less-than-truckload, truckload, long haul, and short haul service.

"Choose a carrier with a good operating ratio (the ratio of operating expenses to operating costs). Generally, a good operating ratio and good service go hand in hand," says Whitener.

A spokesman for a Kansas trucking company suggests PMs get closer to sales reps. Because of deregulation, he says, there are some "real pricing bargains" available. Today, he points out, carriers can set prices a lot easier than they could before deregulation.

Check classifications

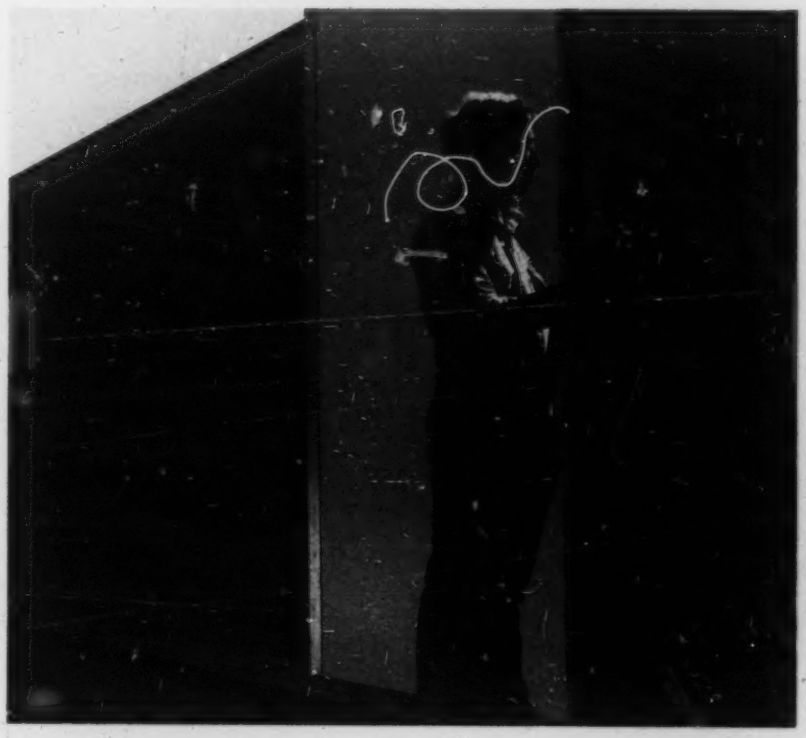
He, too, agrees on the importance of consolidating inbound shipments. He suggests checking the freight classification to make sure inbound freight is being properly described by the supplier and properly classified by the carrier. He also suggests trying to reduce the number of freight classes on your shipments by negotiating FAK (Freight All Kinds) rates with carriers. These rates simplify the rating process, reduce the chance of rate errors, and simplify freight bill auditing, thus saving time for both the carrier and the customer.

Several companies offer programs where they will analyze the type of freight shipped and arrive at an overall classification rating to cover all of it.

Some see such programs as a prelude to the day when carriers may offer to handle all of a company's freight transportation needs for a fixed dollar amount per month, or per year, as is already done in some other countries. In the U.S. today this may seem far-fetched, but many of today's common transportation practices were equally far-fetched just five years ago. **PW**

Household van lines—*much more than furniture*

Moving vans are carrying an increasing share of commercial and industrial shipments. Their service offers advantages not available from other carriers.



There are many good reasons why industrial firms are turning more and more to household goods carriers to move manufactured products. Van lines like North American, Allied, United, National, Aero Mayflower, Bekins, Atlas, Global, and Burnham—to mention only a few—have benefited from changes under the Household Goods Carrier Act of 1980 and the easing of regulations it brought to the industry.

Even before the Act, however, many household goods carriers had gained ICC approval to haul a broad classification of products referred to as "anything of an unusual nature" that could not be handled by regular common and contract carriers.

by Thomas F. Dillon
Senior Editor

Some van lines had, and still have, three types of authority: *household goods* authority, *special products* authority, and for some, such as North American, *commodity common carrier* authority.

Typically, household goods carriers have not handled general commodity freight. Instead they have organized special commodity divisions to handle shipments such as computers, cathode ray tubes, art and trade show exhibits, and electronics products in what the industry calls "padded van service." These shipments require the special care associated with handling household goods and are characterized by the use of extensive padding, logistics bars, strapping, tie downs, and air-ride vans to cushion them from

...continued

MRO demand bouncing back

Based on year-to-date data, as much as 18% increase in MRO sales could be in the offing this year.

More important to buyers is that the demand increase has not set off another big inflationary surge. This points to only about a 2½% average price increase this year—not much more than last year's small 1.2% advance and a far cry from the double-digit hikes in 1979, 1980, and 1981.

Talks with the industrial distributors who handle these kinds of items suggest that the price restraint is likely to spill over into 1985. Right now sellers are betting on only about a 3% overall increase for next year, a bit under the 5%-plus general inflation rate anticipated for that period.

That is not to say that distributors won't be trying for bigger boosts. Indeed, attempts are being made to post increases in the 5-8% range on several product lines. But it is extremely doubtful that many will hold in today's soft buyers' market.

Behind the price easiness: cut-throat competition. Observes George Hall of Detroit's Charles A. Strelenger Co., "It's a dog-eat-dog market as buyers press for concessions across the board."

This top industrial distribution executive singles out General Motors which he says continues to shop around for multi-year contracts at rock bottom prices.

Also adding to the profit squeeze of many firms is today's increasing buyer emphasis on just-in-time deliveries. It is forcing distributors to inventory a lot more than they did previously.

Some industrial distributors say they are being forced to guarantee prices for as long as a year which is still another sign that buyers are calling the signals.

Ample or even more-than-ample capacity could be another factor helping to hold tags down. That some items are in short supply reflects the fact that some manufacturers were caught short by the late 1983 and early 1984 ordering surge. Now they are beginning to catch up and the consensus is there should be more than enough to go around in the months ahead, thereby adding to competitive pressures.

Buyers seem to agree. Observes one purchasing VP, "We try to get vendors to hold prices or we go shopping." He singles out hardware where "If you shop you can almost always knock prices down."

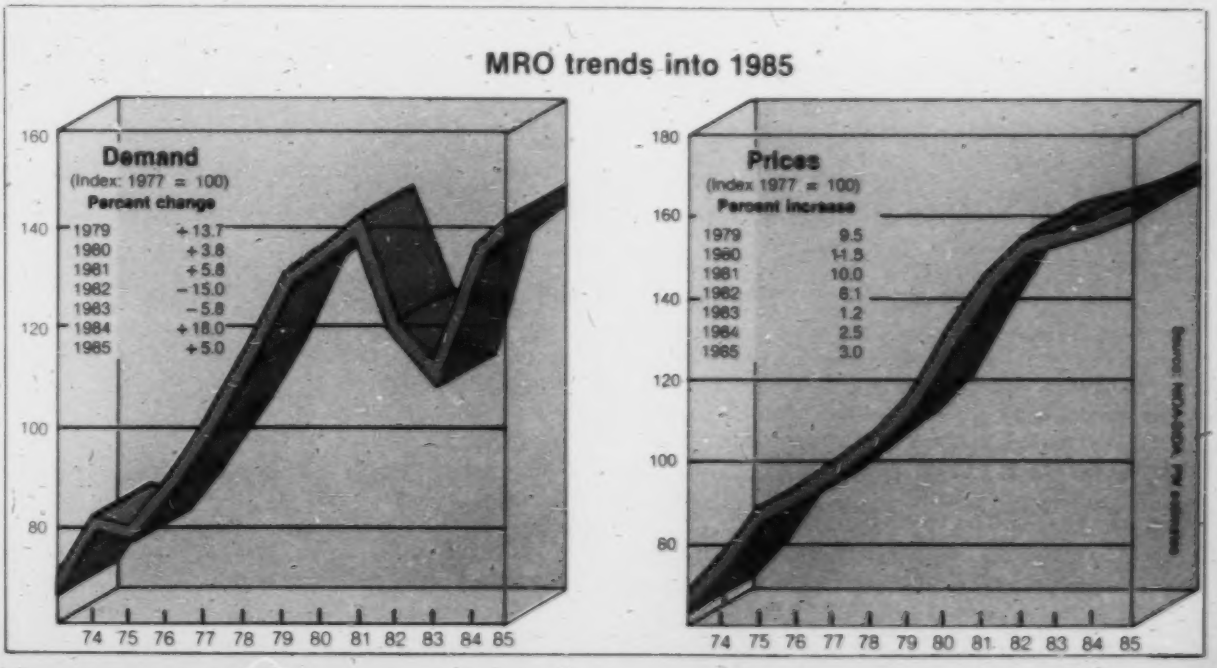
Carbide cutting tools are also said to be soft, with the market nixing a recent 10% boost, primarily because of import pressures. And cast iron pipe fittings from Brazil and India have become so pervasive that domestic producers are asking for countervailing duties.

Distributors are beginning to worry about a leveling off in demand, noting that some of the recent 20% and higher gains vis-a-vis a year ago are starting to narrow. Indeed, the majority of sellers queried by *PW* see a level or only slightly higher trend in orders and sales over the next 6-12 months.

A slowing economy is the major factor behind this projection. But adding to the restraint is the continuing shift to smaller products and improved technology, both of which lead to less MRO use per unit of output.

Prevailing opinion is that 1985 sales gains will only be about 5%, give or take a point. This, too, should help keep a lid on tags. As one distributor put it: "If we couldn't post big hikes when sales were booming, how can we do it when they start to level off?"

Nevertheless, the industry hopes to roll with the punch and it is already adapting to a changing world by improving service levels, shifting to more long-term contracts, and taking on new items. *PW*



Personal computers

Manufacturer & model	Mfr's suggested price ($)	Microprocessor word length (bits)	Std internal RAM (bytes)	Max internal RAM (bytes)	Std disk storage (bytes)	Max. opt disk storage (bytes)	Color display (std, opt, na)	Number of function keys	Graphics capability (std, opt, na)	Std operating system	Other operating systems	Annual sales (mil $)	Year founded	Primary business	Mfr-direct sales	Mfr-owned outlets	Distributors	Dealers/retail stores	Number of sales locations	Warranty period (months)	Mfr service contracts	Mfr-direct service	Mfr-authorized service	Other service	Number of service locations
Product profile												**Company profile**			**Sales profile**					**Service profile**					
A.B. Dick Co. (circle 301 on card)																									
Knowledge Worker 512K	7,500	16				40M	opt	10	opt			450		Printing equipment	•	•		•	580	3	yes	•			580
AT&T Information Systems (circle 332 on card)																									
6300 Dual Floppy Disk	2,810	16	128K	640K	360K		opt	10	std	MS-DOS	no		1983	Information mngmt systems	•		•	•	900	3	yes	•	•		1,500
6300 Hard Disk	4,920	16	256K	640K	10M		opt	10	std	MS-DOS	no														
Casio Inc. (circle 302 on card)																									
Casio FP-1000	3,000	8	64K		640K		opt	10	std	CP/M			1970	Electronic equip				•	80	3	no	•	•		6
Computer Systems (circle 303 on card)																									
PC-8088&PC-CAL	4,980	8/16	128K	640K	360K	1M	opt	10	std	DOS	yes		1967	Computers	•		•			V	yes	•	•	•	
Corona Data Systems (circle 304 on card)																									
PPC-22/PPCXT	2,595 +		256K	512K	-/10M	10M/-	opt	10	opt	MS-DOS		80	1981	Personal computers			•	•	9	3	yes		•		83
PB-400	5,095		512K	512K	10M		opt	10	opt	MS-DOS															
MP-10	6,310		256K	512K	10M	43M	opt	10	opt	MS-DOS															
Datapoint Corp. (circle 305 on card)																									
VISTA-PC™	4,795	16	256K	1M	10M	10M	std	10	std	MS-DOS	no	540	1968	Computers	•		•		68		yes	•			
VISTA STATION-84™	8,550	16	512K	1M			na	10	na	RMS	no														
1560	3,995	8	128K	128K	5M	40M	na	10	na	DOS	yes														
8800	5,150	16	128K	512K	10M	130M	na	10	na	RMS	yes														
Datavue Corp. (circle 306 on card)																									
DU3000	4,995	8	64K	64K	5M	19M	opt	opt	opt	CP/M	yes	7	1972	Multi-user computers	•		•		100	6	yes	•	•	•	100
DU4000F	2,695	16	256K	1M	2M	2M	opt	opt	opt	C/DOS	yes														
DU4000W/DU4400	4,995 +	18/16	512K	1/8M	10/19M	80M	opt	opt	opt	C/DOS	yes														
Digital Equipment Corp. (circle 307 on card)																									
DECmate II	4,375	8	96K	512K	800K	10M	opt	100	opt	WPS	yes	5,580	1957	Computers	•	•	•	•			yes	•			
Rainbow 100	3,800	8/16	64K	512K	800K	10M	opt	100	opt	CP/M	yes														
MP-20	10,345 +		256K	512K	20/40M	43M	opt	10	opt	MS-DOS															
Digital Communications Assoc. Inc. (circle 308 on card)																									
IRMA Series	1,195									MS-DOS PC-DOS		51	1972	Micro and mini computers			•	•	50	12	yes	•		•	1
Eagle Computer Inc. (circle 309 on card)																									
Eagle Spirit-2/XL	2,695 +	16	256K	640K	360K	360K	opt	10	std	MS-DOS	yes	40	1982	Personal computers	•		•	•	300	V	yes			•	175
Eagle PC Plus 1/Plus 2	1,795 +	16	256K	640K	360K	360K	opt	10	std	MS-DOS	yes														
Eagle PC Turbo XL	4,995	16	256K	512K	380K	10M	opt	10	std	MS-DOS	yes														
Exxon Office Systems (circle 310 on card)																									
750 Workstation	8,950	8/16	768K	768K	10M	unltd	na	13	std	CP/M +	yes		1981	Office automation equipment	•		•		140	3	yes	•	•	•	525
510 Processor*	6,495	8	64K	64K	300K	300K	na	12	na	CP/M	yes														
520 Processor*	9,250	8	128K	128K	600K	unltd	na	12	na	CP/M	yes														
530 Processor*	13,750	8	192K	192K	600K	unltd	na	12	na	CP/M	yes														

Product profile												Company profile			Sales profile						Service profile				
Manufacturer & model	Mfr's suggested price ($)	Microprocessor word length (bits)	Std internal RAM (bytes)	Max internal RAM (bytes)	Std disk storage (bytes)	Max. opt disk storage (bytes)	Color display (std, opt, na)	Number of function keys	Graphics capability (std, opt, na)	Std operating system	Other operating systems	Annual sales (mil $)	Year founded	Primary business	Mfr-direct sales	Mfr-owned outlets	Distributors	Dealers/retail stores	Number of sales locations	Warranty period (months)	Mfr service contracts	Mfr-direct service	Mfr-authorized service	Other service	Number of service locations
Hewlett-Packard (circle 311 on card)																									
75C	995	8	16K	24K	na	na	na	na	na	BASIC	no	4,700	1939	Computers and instrumentation	•		•	•	200	3	yes				200
85B	2,295	8	32K	32K	270K	15M	na	12	std	BASIC	yes														
86B/87XM	1,595+	8	128K	640K		15M	na	14	std	BASIC	yes														
110	2,995	16	272K	272K	710K	10M	na	8	std	MS-DOS	no														
150	3,495	16	256K	690K	540K	15M	na	8	std	MS-DOS	no														
Model 216 (9816)	3,985	16/32	128K	4M		65M	na	10	std	BASIC	yes														
Model 217 (9817)	6,500	16/32	512K	4M		65M	na	8	std	BASIC	yes														
Model 236 (9836)	12,110	16/32	128K	4M	540K	65M	na	10	opt	BASIC	yes														
IBM Corporation (circle 331 on card)																									
IBM PC/PCXT	1,995+	16	256K	640K	360K	20.7M	opt	10	opt		yes		1924	Manufacture and sale of computers	•	•	•	•		V	yes	•	•		
IBM PCjr (diskette model)	999	16	128K	512K	360K	360K	opt	10	std		yes														
IBM PC AT	3,995+	16	256K	3M	1.2M	41.2M	opt	10	opt		yes														
Kaypro Corporation (circle 312 on card)																									
Kaypro 2	1,295	8	64K		400K	800K	na	18	std	CP/M	no	12	1953	Computers				•	1,200	3	yes		•	•	1,300
Kaypro 4	1,995	8	64K		800K		na	18	std	CP/M	yes														
Kaypro 10	2,795	8	64K		10.4M		na	18	std	CP/M	no														
Lanier Business Machines (circle 313 on card)																									
Business Processor	2,995	8/16	196K	256K	600K	10M	na	69	opt	[1]		2,000	1934	Office automation	•		•		320		yes	•			320
Monroe Systems for Business (circle 314 on card)																									
MS 2000	3,095	16	128K	896K	720K	10M	opt	10	opt	[2]	yes		1912	Office products/ micro computers	•				250	3	yes	•			250
MS 2211/2221	3,395+	16	128K	896K	1.4M	10.7M	-/std	14	std	[2]	yes														
MS 2212/2222	3,595+	16	256K	896K	1.4M	10.7M	-/std	14	std	[2]	yes														
MS 2311	5,295	16	128K	896K	10.7M	10.7M	na	14	std	[2]	yes														
MS 2312	5,495	16	256K	896K	10.7M	10.7M	na	14	std	[2]	yes														
NCR Corp. (circle 334 on card)																									
Decision Mate V 8/16 bit	2,425	8/16	64K	512K	640K	30M	opt	20	std	[3]	yes	3,700	1884	Office and business machines	•			•	335	3	yes	•	•		350
NCR PC Model 4		16	128K	640K	320K	140M	opt	10	opt	NCR-DOS	yes														
NEC Home Electronics Inc. (circle 315 on card)																									
PC 8800 series	1,599	8/16	64K	128K	320K	15M	opt	10	std	[4]	no		1981	Electronic devices	•		•	•	400		yes	•	•	•	50
PC 8 200 series	599	8	16K	96K	320K		na	10	na	Prop	no														
Otrona Advanced Systems Corp. (circle 316 on card)																									
Otrona 2001	2,995	[5]	128K	640K	64K		opt	15	std	MS-DOS	yes		1977	Portable computers	•			•			yes	•	•		
Perkin-Elmer Data Systems Group (circle 317 on card)																									
Model 7350	7,000+	32	512K	3M	15/28	15/28	opt	24	opt	UniPlus	yes	1,000	1938	Electronics	•		•		100	3	yes	•			50
Polymorphic Systems (circle 318 on card)																									
Poly 186	4,495	16	512K	2M	1M	250M	std	24	std	DOS	yes		1975	Computers	•		•	•	250	12	no	•	•		90
Plexus Computers (circle 319 on card)																									
P/35	17,950	16/32	500K	2000K	22M	235M	na	na	na	unix	no		1980	SMC systems	•				15	1	yes	•	•		

Product profile												Company profile				Sales profile					Service profile				
Manufacturer & model	Mfr's suggested price ($)	Microprocessor word length (bits)	Std internal RAM (bytes)	Max internal RAM (bytes)	Std disk storage (bytes)	Max. opt disk storage (bytes)	Color display (std, opt, na)	Number of function keys	Graphics capability (std, opt, na)	Std operating system	Other operating systems	Annual sales (mil $)	Year founded	Primary business	Mfr-direct sales	Mfr-owned outlets	Distributors	Dealers/retail stores	Number of sales locations	Warranty period (months)	Mfr service contracts	Mfr-direct service	Mfr-authorized service	Other service	Number of service locations
Sharp Electronics (circle 320 on card)																									
PC 5000 (Portable)	1,695	16	128K	320K	128K	360K	na	8	std	MS-DOS[2]		4,000	1912	Consumer/ind prod			•	•	400	3	yes	•	•		
Sperry Computer Systems (circle 333 on card)																									
3070-99 Model 10	2,605	16	128K	640K	320K	60M	na	10	std	MS-DOS	no	5,000	1876*	Computer systems	•				72	3	yes	•			2,500
3070-97 Model 20	3,030	16	128K	640K	640K	60M	na	10	std	MS-DOS	no														
3070-94 Model 30	4,158	16	128K	640K	640K	60M	std	10	std	MS-DOS	no														
3070-89 Model 50	5,993	16	128K	640K	10.3M	60M	na	10	std	MS-DOS	no														
3090-99 Model 100	2,685	16	256K	640K	320K	60M	na	10	std	MS-DOS	no														
3090-89 Model 500	6,113	16	256K	640K	10.3M	60M	na	10	std	MS-DOS	no														
Stearns Computer Systems (circle 321 on card)																									
Desktop Computer	2,995	16	128K	896K	640K	40.3M	opt	10	opt	MS-DOS	yes		1982	Micro-computers			•	•		3	yes		•		
STM Electronics (circle 322 on card)																									
STM PC-desk/portable	2,499+	16	256K	512K	360K	720K	opt	10	std	[7]	no		1981	Computer mfg	•		•	•		3			•		
Texas Instruments (circle 323 on card)																									
Portable	2,295	16	128K	768K	320K	360K	opt	12	opt	MS-DOS	yes	4,500	1930	Computers and electronics	•		•	•	1,000	3	yes	•	•		375
TI Professional	2,495	16	128K	768K	320K	18.2M	opt	12	opt	MS-DOS	yes														
300 series	12,495	16	128K	1M	17M	43M	na	8	na	DX10	yes														
Toshiba America Inc. (circle 324 on card)																									
T300	2,200	16	192K	512K	64K		std	103	std	MS-DOS	yes		1981	Office equipment											
Vector Graphic Inc. (circle 325 on card)																									
Vector SX-1000/SX2000	2,995+	8/16	128K	896K	0/1.4M	36.7M	opt	15	std	CP/M-86		30	1976	Micro-computers			•	•	350	3	yes		•		250
Vector SX-2500	4,295	8/16	128K	896K	5.7M	36.7M	opt	15	std	CP/M-86															
Vector SX-3000	6,295	8/16	128K	896K	10.7M	36.7M	opt	15	std	CP/M-86															
Vector SX-4500	8,895	8/16	128K	896K	28.7M	36.7M	opt	15	std	CP/M-86															
Vector SX-5000	9,995	8/16	128K	896K	36.7M	36.7M	opt	15	std	CP/M-86															
Visual Computer Inc. circle 326 on card)																									
Commuter	1,995	16	128K	512K	360K		na	10	std	MD-DOS	no	50	1983	Portable PCs			•	•		3	yes	•	•		
Wang Laboratories Inc. (circle 327 on card)																									
Professional Computer	2,445	16	256K	768K	360K	30M	opt	101	opt	MS-DOS	yes	2,100	1955	Office/DP	•	•	•	•		3	yes	•		•	8
Xerox Corporation (circle 328 on card)																									
Xerox 16/8	2,895	8/16	128K	256K	348K	10.2M	na	18	std	[4]	yes	8,800	1906	Office systems	•	•	•	•	300		yes	•	•		200
Zaisan (circle 329 on card)																									
ES.3 Prof. Workstation	2,595	8/16	128K	640K	360K	360K	na	10	std	MS-DOS	no		1983	Voice data equip	•		•	•	100	3	yes	•	•		100
Zenith Data Systems (circle 330 on card)																									
ZF-111-21	3,029	8/16	128K	768K	320K	10M	std	13	std			250	1979	Desktop computers, video monitors/terminals	•	•	•	•	800	3	yes	•	•	•	500
ZF-111-32	3,449	8/16	128K	768K	640K	10M	std	13	std																
ZWA/ZFG-121-22	3,729	8/16	192K	768K	640K	10M	opt	13	std																
ZW-111-32	5,499	8/16	128K	768K	11.3M		std	13	std																
ZWG-121-32	5,599	8/16	192K	768K	11.3M		opt	13	std																

* With printer V Warranty period varies [1] CP/M, MS-DOS, LEX [2] MS-DOS, CP/M-86 [3] CP/M80-86, MS-DOS [4] CP/M, MS-DOS [5] 50 to 19,200 BPS [6] 1876 Remington Rand; name changed to Sperry in 1955 [7] MS-DOS-2.11

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, p. 3, 9-10, 14, 16,

19-21, 24, 26, 28, 30, 38,

50, 58.